

## **Testimony on Proposed Sale of Verizon Hawaii to Carlyle Group**

**by Senator Carol Fukunaga, Chair/Senate Economic Development Committee**  
Public Utilities Commission • State Capitol Auditorium • October 5, 2004

Chair Caliboso and PUC members, thank you for the opportunity to offer these comments on the proposed sale of Verizon Hawaii to the Carlyle Group.

This year, the proposed sale of Verizon Hawaii generated considerable speculation within our community on the pros and cons of a global investment firm acquiring Hawaii's main provider of telecommunications services.

In fact, the State Senate's Committees on Economic Development Committee and Consumer Protection heard Senate Concurrent Resolution 73 and Senate Resolution 33 (copies attached) during the 2004 legislative session.

Action on the two resolutions was deferred during the session, partly because of Chair Caliboso's representation that the PUC would conduct "a thorough review and analysis of the purchase agreement and other supporting documents" in determining "whether the proposed sale of Verizon is in the public interest."

As part of its proceedings, Chairman Caliboso emphasized the Commission's statutory mandate for public input and public hearings prior to any decision on changes in ownership would insure a comprehensive opportunity for public review/comment. Verizon Hawaii's President Mel Horikami also testified that existing statutes mandate an in-depth review by the Hawaii Public Utilities Commission and Division of Consumer Advocacy on whether the proposed change in ownership of a public utility is in the public interest (*Chapter 269-19, HRS*).

I am therefore gratified that the Public Utilities Commission is holding today's public hearing to solicit public input/comment on this potential acquisition of Hawaii's telecommunications infrastructure. I encourage the PUC to conduct a comprehensive review and public hearings on the proposed acquisition to address the following issues:

- ability of the new entity to provide comparable, affordable service to Hawaii residents and businesses without significant increases in costs;
- potential impacts — financial and otherwise — that this proposed sale will have upon present Verizon Hawaii employees and retirees; and
- nature of the new entity's long-commitment to Hawaii.

1. Provision of comparable services without significant increases in rates. With regard to the first issue, Verizon Hawaii is the largest telecommunications provider in Hawaii. As such, Verizon Hawaii not only offers a wide array of business services and products, but also controls important telecommunications-related infrastructure within the State.

In evaluating the merits of this proposed sale, the Commission must determine whether this new entity remains committed to not only maintaining the level and quality of service that Hawaii consumers presently enjoy without raising rates, but is also dedicated to making the necessary technological improvements in a cost-efficient manner. Telecommunications related services and technology connect Hawaii to the economies of other countries and thus are directly related to the health of Hawaii's economy. Therefore it is critical that business and government have faith in a telecommunications service provider that is not only reliable, but also cost-efficient.

2. Potential impacts on Verizon Hawaii employees and retirees. In addition to its role as one of Hawaii's largest telecommunications providers, Verizon Hawaii is also one of the largest employers in the State.

Beyond the financial ramifications this sale will have on Hawaii's economy, the Commission must also evaluate the impact that the proposed sale will have on hundreds of individuals who work for Verizon Hawaii. Many of Verizon Hawaii's employees and retirees have devoted years of service to this company, some dating back to the time when Verizon Hawaii was known as GTE Hawaiian Telephone. These individuals have built up years of expectation and made important financial contributions with respect to pension plans and health care insurance.

It is critical that current employees and retirees are consulted and suggestions solicited with respect to these and other pertinent issues to ensure that the proposed sale is made with the full understanding and consent of Verizon's employees.

3. Long-term commitment to Hawaii. Finally, it is essential that this proposed sale be compatible with the long-term interests of the State of Hawaii. As indicated previously, Verizon Hawaii's telecommunications infrastructure and operations are crucial to the stability and continued growth of Hawaii's economy — both from the standpoint of a telecommunications provider as well as an employer.

Although the preliminary public comments and filings of the Carlyle Group with the Commission are reassuring, additional details with respect to immediate and future plans of the Carlyle Group's telecommunications holdings in Hawaii must be provided before a decision is rendered. Hawaii telecommunications services are too integral a part of Hawaii's economic future to be left solely to market fluctuations and private sector supply/demand requirements.

Thank you for this opportunity to submit comments on the pending sale of Verizon Hawaii to the Carlyle Group.

MAR 23 2004

## SENATE CONCURRENT RESOLUTION

REQUESTING THE SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HOUSING AND THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE TO CONVENE JOINT INFORMATIONAL BRIEFINGS TO DETERMINE WHETHER THE SALE OF VERIZON HAWAII, INC., IS IN THE PUBLIC INTEREST, AND THE FEASIBILITY OF THE PUBLIC UTILITIES COMMISSION ACQUIRING VERIZON HAWAII, INC., AND OPERATING IT AS A COOPERATIVE VENTURE.

1 WHEREAS, Verizon Hawaii, Inc., formerly GTE Hawaiian  
2 Telephone Company Inc., is the largest telecommunications  
3 service provider in Hawaii, providing vital telephone, cellular  
4 phone, internet, facsimile, and digital as well as broadband-  
5 related services to Hawaii consumers and businesses on a daily  
basis; and

8 WHEREAS, Verizon Hawaii, Inc. is also one of the largest  
9 employers in Hawaii, employing over two thousand employees and  
10 generating millions of dollars in revenue annually; and

11  
12 WHEREAS, Verizon Hawaii, Inc.'s parent company, Verizon  
13 Communications, Inc. has begun soliciting offers from numerous  
14 parties including a Washington D.C.-based private equity firm, a  
15 New York-based asset management company, and other  
16 telecommunications service providers regarding the possible sale  
17 of Verizon Hawaii, Inc.; and

18  
19 WHEREAS, the uncertainty surrounding these preliminary  
20 negotiations, including the identities of prospective purchasers  
21 and the potential economic impact on Hawaii in terms of jobs and  
22 revenue in the event Verizon Hawaii, Inc. is sold, has generated  
23 much concern within the community; now, therefore,

24  
25 BE IT RESOLVED by the Senate of the Twenty-Second  
26 Legislature of the State of Hawaii, Regular Session of 2004, the  
27 House of Representatives concurring, that the Senate Committee  
28 on Commerce, Consumer Protection, and Housing and the House  
Committee on Consumer Protection and Commerce are requested to



1 convene joint information sessions within fifteen days after the  
2 adoption of this Concurrent Resolution to determine whether the  
3 sale of Verizon Hawaii, Inc., a vital telecommunications  
4 provider, is in the public interest, as well as to discuss the  
5 feasibility of the Public Utilities Commission acquiring Verizon  
6 Hawaii, Inc. and operating it as a cooperative venture in a  
7 manner similar to Kauai Electric; and  
8

9 BE IT FURTHER RESOLVED that both the Senate and House  
10 Committees are strongly encouraged to invite representatives  
11 from Verizon Hawaii, Inc., Verizon Communications, Inc., other  
12 members of Hawaii's telecommunications industry, representatives  
13 from the Public Utilities Commission, and members of the public  
14 in discussing the potential impacts that a sale of Verizon  
15 Hawaii, Inc., would have on Hawaii; and  
16

17 BE IT FURTHER RESOLVED that both the Senate and House  
18 Committees are requested to report findings and recommendations  
19 to the Legislature no later than twenty days before the  
20 convening of the Regular Session of 2005 concerning whether the  
21 sale of Verizon Hawaii, Inc. is in the public interest and the  
22 feasibility of the State Public Utilities Commission acquiring  
23 and operating Verizon Hawaii, Inc. as a cooperative venture; and  
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25 BE IT FURTHER RESOLVED that the Legislative Reference  
26 Bureau is requested to provide all necessary assistance to these  
27 Committees in coordinating and conducting these informational  
28 briefings and in formulating the findings and recommendations of  
29 the Senate and House Committees; and  
30

31 BE IT FURTHER RESOLVED that certified copies of this  
32 Concurrent Resolution be transmitted to Hawaii's congressional  
33 delegation, the President of the Hawaii State Senate, the  
34 Speaker of the Hawaii State House of Representatives, the  
35 Chairperson of the Senate Committee on Commerce, Consumer  
36 Protection, and Housing, the Chairperson of the House Committee  
37 on Consumer Protection and Commerce, the President of Verizon  
38 Hawaii, Inc., the Chair of the Public Utilities Commission, and  
39 the Acting Director of the Legislative Reference Bureau, and the  
40 Chairs of the County Councils.  
41  
42  
43

OFFERED BY:

*Carol Pham*  
*Amil Y. Lee*



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31 Hawaii State House of Representatives, the Chairperson of the  
32 Senate Committee on Commerce, Consumer Protection, and Housing,  
33 the Chairperson of the House Committee on Consumer Protection  
34 and Commerce, the President of Verizon Hawaii, Inc., the Chair  
35 of the Public Utilities Commission, and the Acting Director of  
36 the Legislative Reference Bureau, and the Chairs of the County  
37 Councils.  
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OFFERED BY:

*Carol Fukunaga*  
*Amil Y. Lee*

